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SUBJECT: G20 REFLECTIONS: GORDON BROWN DESERVES CREDIT FOR
"WATERSHED" SUMMIT, BUT NO SILVER BULLETS

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¶1. (SBU) Summary: The London G20 Summit emphasized a new global partnership and produced impressive commitments on trade, the IMF and regulatory reform, according to panelists at a Business for New Europe seminar. They were impressed by the G20's recognition of the need for global coordinated action and acknowledgement that no country can solve the economic problems alone. Panel members were cautiously optimistic about commitments on protectionism and trade and were impressed by the extent of the announced changes to the IMF. However, panelists cautioned that the commitments will take time to implement and don't provide any silver bullets to global economic recovery. The panelists were disappointed at the lack of detail on toxic assets and would have welcomed further discussion on global macro balances. There was consensus that Gordon Brown deserved credit for the Summit and that the EU, or at least France, Germany and the UK, were particularly successful. The G20's relevance going forward will depend, they agreed, on its ability to turn its commitments into reality. End summary.

Morning After

¶2. (SBU) Panelists at a Business for New Europe (BNE) seminar were cautiously optimistic about the outcomes of the G20 Summit. During a "Morning after the Day Before" discussion, they said commitments from the G20 leaders were encouraging and impressive. There was a consensus that the G20 communique took positive, significant steps on a number of important issues. They were impressed by the G20's recognition of the importance of greater coordinated action, with Baroness Ashton, the European Commissioner for Trade, calling it a "watershed" Summit that removed the distinction between developed and developing worlds and replaced it with a new global partnership. The panelists were impressed with the leaders' clear understanding that the most vulnerable countries must be considered and that no one country can solve the economic problems alone. Peter Sands, chief executive of Standard Chartered, said the markets were particularly encouraged by the outcome of the Summit and dismissed a press report that the FTSE's 5 percent gain was more about the ECB's interest rate decision than the G20 action. He noted that the 2009 Summit's achievements stand in stark contrast to the failure of the 1933 London Summit.

Action Items

¶3. (SBU) The panel was largely enthusiastic about the discussions on protectionism and trade. The G20's acknowledgement that talk about the perils of protectionism needed to be accompanied by a mechanism for naming and shaming was particularly welcomed. The communique, they said, importantly signaled movement beyond just finger pointing and established a firm commitment to preserve free trade. On Doha, Baroness Ashton highlighted the significance of the G20 leaders putting a figure of \$150 billion on the deal - noting it

was the first time there had been recognition across the G20 of the value of an agreement. She said the lack of a concrete timetable for concluding the development round was not surprising, given the new U.S. administration and the Indian elections. She noted that the EC is pushing to ensure that the U.S. does not reopen issues that have already been agreed.

¶4. (SBU) Panelists were similarly impressed by discussions of IMF reforms, which equated to a "revolution," according to Sands. Sands was surprised how tangible the IMF commitments were. He was encouraged by the consensus that a more powerful, independent and representative IMF is needed. He warned that the difficulty will come when trying to balance the IMF's independence with its representational role. "Smart regulation" will be the watchword of the future, according to Baroness Ashton. Roland Rudd, Chairman of the BNE, said the most important part of the Summit was that it didn't result in greater regulation in Europe than elsewhere, which could have harmed London's position as a global financial center. Going forward, panelists agreed the leaders will need to focus on how the big numbers can be converted into concrete actions.

¶5. (SBU) Despite these achievements, the Summit didn't provide any silver bullets and its commitments will take time to implement. Additionally, the lack of detail about how to clean up toxic assets from banks' balance sheets was worrying, according to George Parker, political editor of the FT. He added that supporters of fiscal stimulus will be disappointed by the communique. In contrast to other panelists, he said the communique's language on Doha moved backwards from the language at the Washington Summit. Sands was disappointed that little was discussed about global macro balances. He cautioned that some of the "warm fuzzy" feeling will be lost in the short term when leaders will need to politically reconcile the big G20 commitments with continued bad economic news.

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Who Won?

¶6. (SBU) There was consensus that Gordon Brown deserves credit for the Summit. Parker noted that few other world leaders have sufficient grasp of the technical details or are as passionate about the issues as the British Prime Minister. He said the PM's work on establishing the importance and relevance of the G20 will be an important part of his legacy. He added that while each country will claim its own domestic victory, the Summit proved particularly successful for the EU. France and Germany in particular, he said, overcame U.S./UK resistance to calls for tighter regulation. He said their position was strengthened by the de Larosiere report combined with a new U.S. administration. Parker suggested that Gordon Brown saw the value of the EU for the first time, because it could draw real weight to push ahead its agenda. The panelists acknowledged, however, that it is not entirely clear whether the EU was effective, or whether it was French/German/UK intergovernmental effectiveness. They said the three countries act like an informal directorate of the EU, with Jose Manuel Barroso acting as the fourth member, representing the other 24 states. Baroness Ashton noted, however, that Barroso is an effective politician, mindful of representing smaller states

¶7. (SBU) Barroso achieved his five aims for the summit, according to Ashton. Prior to the Summit, he called for the coordination of fiscal stimulus, more effective regulation, global governance stimulus (namely reform of the international financial institutions), a commitment to free and fair trade, and a development and climate stimulus. Ashton said Barroso was successful in achieving these five goals. Parker highlighted another Summit "hero," Mario Draghi, chair of the Financial Stability Forum, who produced consensus on complicated, technical issues. While there is still a lot to do on financial architecture, Parker was surprised at how much Draghi was able to achieve. Although Parker was impressed by the summit results and the Prime Minister's performance, he, as an aside, ridiculed the \$5 trillion figure touted by HMG as the size of the G20's combined stimulus packages as a "ludicrous figure" based on a crude and misleading

calculation.

Future Relevance of the G20

18. (SBU) One of the most important aspects of the Summit, according to the panelists, was that it showed the G20 functioning properly for the first time. Whether the G20 delivers on its action items will determine its relevance going forward. If the G20 works, and proves to be an effective decision-making forum, panelists agreed that more items will be taken from the G8 agenda. Parker expects the G8 to "whither on the vine" because it hasn't "covered itself in glory" in terms of delivering on its commitments. The focus, he said, will shift to the G20 which will outlast the current financial crisis. Baroness Ashton suggested the importance of the G8 as a decision-making forum will remain and said the G20 needs to be more than just summitry, it needs concrete results if it is to remain relevant. The panelists were encouraged by the move beyond the G8 clique and said the G20 feels like a more representative, effective body. Despite the G20's raised profile, Parker noted that there is still no permanent secretariat and that its success depends on the strength of its chair.

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